

Senate File 2344 - Introduced

SENATE FILE 2344

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SF 2333)

A BILL FOR

1 An Act relating to renewable fuels, by providing for biobutanol
2 and biobutanol blended gasoline, modifying the rate of
3 the E-15 plus gasoline promotion tax credit and extending
4 provisions for a biodiesel production refund, and including
5 effective date and retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

BIOBUTANOL AND BIOBUTANOL BLENDED GASOLINE

Section 1. Section 159A.2, subsection 1, Code 2014, is amended to read as follows:

1. ~~"Biodiesel"~~ and ~~"Biobutanol"~~, "biobutanol blended gasoline", "biodiesel", "biodiesel blended fuel", "ethanol", "ethanol blended gasoline", and "renewable fuel" mean the same as defined in section 214A.1.

Sec. 2. Section 159A.2, subsections 5 and 8, Code 2014, are amended by striking the subsections.

Sec. 3. Section 159A.3, subsection 3, paragraph a, Code 2014, is amended to read as follows:

a. A chief purpose of the office is to further the production and consumption of ethanol blended gasoline and biobutanol blended gasoline in this state. The office shall be the primary state agency charged with the responsibility to promote public consumption of ethanol blended gasoline and biobutanol blended gasoline.

Sec. 4. Section 159A.6, subsection 1, paragraph d, Code 2014, is amended to read as follows:

d. Promote the advantages related to the use of coproducts derived from the production of renewable fuels, including the use of coproducts used as livestock feed or meal. Promotions shall be designed to inform the potential purchasers of the advantages associated with using coproducts. The office shall promote advantages associated with using coproducts of ethanol and biobutanol production as livestock feed or meal to cattle producers in this state.

Sec. 5. Section 214.1, subsection 1, Code 2014, is amended to read as follows:

1. ~~"Biodiesel"~~, ~~"biodiesel fuel"~~, ~~"biofuel"~~, ~~"ethanol"~~, ~~"motor fuel"~~, "Motor fuel", "retail dealer", "retail motor fuel site", and "wholesale dealer" mean the same as defined in section 214A.1.

Sec. 6. Section 214A.1, Code 2014, is amended by adding the

1 following new subsections:

2 NEW SUBSECTION. 2A. "*Biobutanol*" means isobutyl alcohol
3 that is to be blended with gasoline if it meets the standards
4 provided in section 214A.2.

5 NEW SUBSECTION. 2B. "*Biobutanol blended gasoline*" means a
6 formulation of gasoline which is a liquid petroleum product
7 blended with biobutanol, if the formulation meets the standards
8 provided in section 214A.2.

9 Sec. 7. Section 214A.1, subsections 6 and 23, Code 2014, are
10 amended to read as follows:

11 6. "*Biofuel*" means ethanol, biobutanol, or biodiesel.

12 23. "*Renewable fuel*" means a combustible liquid derived
13 from grain starch, oilseed, animal fat, or other biomass; or
14 produced from a biogas source, including any nonfossilized
15 decaying organic matter which is capable of powering machinery,
16 including but not limited to an engine or power plant.

17 Renewable fuel includes but is not limited to biofuel, ethanol
18 blended gasoline, biobutanol blended gasoline, or biodiesel
19 blended fuel meeting the standards provided in section 214A.2.

20 Sec. 8. Section 214A.1, subsection 32, unnumbered paragraph
21 1, Code 2014, is amended to read as follows:

22 "*Unleaded gasoline*" means gasoline, including ethanol
23 blended gasoline or biobutanol blended gasoline, if all of the
24 following applies:

25 Sec. 9. Section 214A.2, subsection 1, Code 2014, is amended
26 to read as follows:

27 1. The department shall adopt rules pursuant to chapter
28 17A for carrying out this chapter. The rules may include but
29 are not limited to specifications relating to motor fuel,
30 including but not limited to renewable fuel such as ethanol
31 blended gasoline, biobutanol blended gasoline, biodiesel,
32 biodiesel blended fuel, and motor fuel components such as an
33 oxygenate. In the interest of uniformity, the department shall
34 adopt by reference other specifications relating to tests and
35 standards for motor fuel, including renewable fuel and motor

1 fuel components, established by the United States environmental
2 protection agency and A.S.T.M. international.

3 Sec. 10. Section 214A.2, subsection 3, Code 2014, is amended
4 by adding the following new paragraph:

5 NEW PARAGRAPH. *c.* If the motor fuel is advertised for sale
6 or sold as biobutanol blended gasoline, the motor fuel must
7 comply with departmental standards which shall meet all of the
8 following requirements:

9 (1) Biobutanol must be an agriculturally derived isobutyl
10 alcohol that meets A.S.T.M. international specification
11 D7862 for butanol for blending with gasoline for use as
12 automotive spark-ignition engine fuel, or a successor A.S.T.M.
13 international specification, as established by rules adopted
14 by the department.

15 (2) Gasoline blended with biobutanol must meet requirements
16 established by rules adopted in part or in whole based on
17 A.S.T.M. international specification D4814.

18 Sec. 11. Section 214A.2, subsection 5, Code 2014, is amended
19 to read as follows:

20 5. a. Ethanol blended gasoline shall be designated E-xx
21 where "xx" is the volume percent of ethanol in the ethanol
22 blended gasoline ~~and biodiesel.~~

23 b. Biobutanol blended gasoline shall be designated
24 Bu-xx where "xx" is the volume percent of biobutanol in the
25 biobutanol blended gasoline.

26 c. Biodiesel fuel shall be designated B-xx where "xx" is the
27 volume percent of biodiesel.

28 Sec. 12. Section 214A.3, subsection 2, paragraph b, Code
29 2014, is amended by adding the following new subparagraph:

30 NEW SUBPARAGRAPH. (02) A person shall not knowingly falsely
31 advertise biobutanol blended gasoline by using an inaccurate
32 designation as provided in section 214A.2.

33 Sec. 13. Section 214A.5, subsection 2, Code 2014, is amended
34 to read as follows:

35 2. A wholesale dealer selling ethanol blended gasoline,

1 biobutanol blended gasoline, or biodiesel blended fuel to
2 a purchaser shall provide the purchaser with a statement
3 indicating its designation as provided in section 214A.2. The
4 statement may be on the sales slip provided in this section
5 or a similar document, including but not limited to a bill of
6 lading or invoice.

7 Sec. 14. Section 214A.16, subsection 1, Code 2014, is
8 amended by adding the following new paragraph:

9 NEW PARAGRAPH. *Od.* If biobutanol blended gasoline is sold
10 from a motor fuel pump, the motor fuel pump shall have affixed
11 a decal identifying the biobutanol blended gasoline.

12 DIVISION II

13 E-15 PLUS GASOLINE PROMOTION TAX CREDIT

14 Sec. 15. Section 422.11Y, subsection 4, paragraph b, Code
15 2014, is amended to read as follows:

16 *b.* The designated rate of the tax credit for the following
17 three periods within each calendar year is as follows:

18 ~~(1) For calendar year 2012, calendar year 2013, and calendar~~
19 ~~year 2014~~

20 (1) For the first period beginning January 1 and ending May
21 31, three cents.

22 (2) For the second period beginning June 1 and ending
23 September 15, ten cents.

24 ~~(3) For calendar year 2015, calendar year 2016, and calendar~~
25 ~~year 2017~~ the third period beginning September 16 and ending
26 December 31, two three cents.

27 Sec. 16. EFFECTIVE DATE. This division of this Act, being
28 deemed of immediate importance, takes effect upon enactment.

29 Sec. 17. RETROACTIVE APPLICABILITY. Section 422.11Y,
30 as amended in this division of this Act, and section 422.33,
31 subsection 11D, as applied through section 422.11Y, as amended
32 in this division of this Act, apply retroactively to tax years
33 beginning on and after January 1, 2014.

34 DIVISION III

35 BIODIESEL PRODUCTION REFUND

1 Sec. 18. Section 423.4, subsection 9, paragraphs b and e,
2 Code 2014, are amended to read as follows:

b. The amount of the refund shall be calculated by multiplying a designated rate by the total number of gallons of biodiesel produced by the biodiesel producer in this state during each quarter of a calendar year. The designated rate shall be as follows:

8 ~~(1) For the calendar year 2012, three cents.~~

9 ~~(2) For the calendar year 2013, two and one-half cents.~~

10 ~~(3) For the calendar year 2014, two cents.~~

11 *e.* This subsection is repealed on January 1, ~~2015~~ 2020.

12	EXPLANATION
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13 The inclusion of this explanation does not constitute agreement with
14 the explanation's substance by the members of the general assembly.

15 GENERAL. This bill provides for the regulation and
16 promotion of renewable fuel, including by creating a new class
17 of biofuel referred to as biobutanol and the corresponding
18 biobutanol blended gasoline (Code chapter 214A). The bill
19 also amends provisions establishing an E-15 plus promotion tax
20 credit due to expire on January 1, 2018 (Code sections 422.11Y
21 and 422.33(11D)), and a biodiesel producer refund which is due
22 to expire on January 1, 2015 (Code Section 423.4(a)).

23 BIOBUTANOL AND BIOBUTANOL BLENDED GASOLINE — REGULATION.

24 The bill amends provisions regarding the regulation of
25 motor fuel, including biofuels and renewable fuel, by the
26 department of agriculture and land stewardship. It classifies
27 biobutanol as a biofuel (together with ethanol and biodiesel)
28 and biobutanol blended gasoline as a renewable fuel (together
29 with ethanol blended gasoline and biodiesel blended fuel).
30 Biobutanol is isobutyl alcohol that is blended with gasoline.
31 The bill establishes specifications for biobutanol and
32 biobutanol blended gasoline, including specifications based on
33 A.S.T.M. international standards, similar to specifications
34 for ethanol, ethanol blended gasoline, biodiesel, and
35 biodiesel blended fuel. The bill amends related provisions for

1 designating biobutanol blended gasoline (Code section 214A.2),
2 the advertising of biobutanol blended gasoline (Code section
3 214A.3), documentation required to be maintained by wholesale
4 and retail dealers (Code section 214A.5), and the labeling of
5 motor fuel pumps (Code section 214A.16). Other provisions in
6 the Code chapter refer to biofuels, including those regulating
7 testing procedures (Code sections 214A.2B and 214A.7). The
8 bill requires that the office of renewable fuels and coproducts
9 promote the use of biobutanol and biobutanol blended gasoline
10 (Code chapter 159A). In addition, a number of other Code
11 chapters refer to biofuel or renewable fuel as defined in Code
12 section 214A.1, including provisions that are administered
13 by the department of agriculture and land stewardship (Code
14 chapters 159 and 203), that regulate certain supply agreements
15 (Code section 323.4A), and that are administered by the
16 department of revenue (Code chapters 422 and 452A).

17 E-15 TAX CREDIT. The E-15 plus gasoline promotion tax
18 credit is calculated on the total gallons of ethanol blended
19 gasoline, classified as E-15 and higher, and sold and dispensed
20 by a retail dealer (see Code section 214A.1) during each
21 quarter. The amount of the tax credit equals a constant
22 (designated) rate multiplied by the total number of gallons of
23 E-15 or higher sold and dispensed by the retail dealer during
24 a calendar year assuming the retail dealer's tax year is on a
25 calendar year basis. A designated rate of 3 cents applies to
26 each calendar year from 2012 through 2014. The designated rate
27 is then reduced to 2 cents which will apply to each calendar
28 year from 2015 through 2017 when the tax credit expires. The
29 same calculations are applied to retail dealers whose tax
30 years are not based on a calendar year (701 IAC 42.46). The
31 bill revises the designated rate for three periods of time
32 within a tax year (either based on a calendar or alternative
33 fiscal year). For the first period (January 1 through May 31),
34 the rate is 3 cents; for the second period (June 1 through
35 September 15), the rate is 10 cents; and for the third period

1 (September 16 through December 31), the rate returns to 3
2 cents. This revision takes effect upon enactment of the bill
3 and applies retroactively to January 1, 2014.

4 BIODIESEL PRODUCER REFUND. A biodiesel producer is
5 engaged in the manufacture of biodiesel which is a renewable
6 fuel derived from vegetable oils or animal fats for use in
7 biodiesel blended fuel; an alternative to diesel fuel (Code
8 section 214A.1). The amount of the refund equals a constant
9 (designated) rate multiplied by the total number of gallons
10 of biodiesel produced by the biodiesel producer in this state
11 during each quarter of a calendar year. The biodiesel producer
12 receives the refund amount after subtracting any amount of
13 sales or use tax owed by the biodiesel producer (701 IAC
14 12.18). In addition, a biodiesel producer cannot claim a
15 refund on more than 25 million gallons of biodiesel produced
16 during a calendar year at any one manufacturing facility. A
17 designated rate of 3 cents applied to calendar year 2012. The
18 designated rate was reduced to 2.5 cents for calendar year 2013
19 and to 2 cents for calendar year 2014 after which it expires.
20 The bill extends the period in which the 2-cent rate applies
21 for five additional calendar years through 2019.